

**CITY OF CHANDLER, ARIZONA
SINGLE AUDIT REPORTING PACKAGE
FOR THE YEAR ENDED JUNE 30, 2007**

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SINGLE AUDIT REPORTING PACKAGE
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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Honorable Mayor and members of the City Council
City of Chandler, Arizona

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Chandler, Arizona as of and for the year ended June 30, 2007, which collectively comprise City of Chandler, Arizona's basic financial statements and have issued our report thereon dated December 1, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Chandler, Arizona's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Chandler, Arizona's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Chandler, Arizona's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Chandler, Arizona's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of City of Chandler, Arizona in a separate letter dated December 1, 2007.

This report is intended solely for the information and use of the management, City Council, others within the entity and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

HEINFELD, MEECH & CO., P.C.
Certified Public Accountants

December 1, 2007



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**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Honorable Mayor and members of the City Council
City of Chandler, Arizona

Compliance

We have audited the compliance of City of Chandler, Arizona with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. City of Chandler, Arizona's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of City of Chandler, Arizona's management. Our responsibility is to express an opinion on City of Chandler, Arizona's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Chandler, Arizona's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of City of Chandler, Arizona's compliance with those requirements.

In our opinion, City of Chandler, Arizona complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 07-1 and 07-2.

Internal Control Over Compliance

The management of City of Chandler, Arizona is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered City of Chandler, Arizona's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Chandler, Arizona's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Chandler, Arizona as of and for the year ended June 30, 2007, and have issued our report thereon dated December 1, 2007. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise City of Chandler, Arizona's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

City of Chandler, Arizona's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit City of Chandler, Arizona's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the management, City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

HEINFELD, MEECH & CO., P.C.
Certified Public Accountants

December 1, 2007

**CITY OF CHANDLER, ARIZONA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2007**

Federal Grantor/ Pass-Through Grantor/ Program Title	Contract Number	Federal CFDA Number	Expenditures	Payments To Subrecipients
U.S. Department of Housing and Urban Development				
Direct programs:				
Public and Indian Housing	SF-440	14.850	\$ 637,251	\$ -
Capital Fund Program - Program Year 2003 Adendum	SF-440 (AZ20P02850203)	14.872	483	-
Capital Fund Program - Program Year 2004	SF-440 (AZ20P02850104)	14.872	46,537	-
Capital Fund Program - Program Year 2005	SF-440 (AZ20P02850105)	14.872	106,331	-
Capital Fund Program - Program Year 2006	SF-440 (AZ20P02850106)	14.872	262,441	-
Capital Fund Program - Program Year 2006 Adendum	SF-440 (AZ20P02850206)	14.872	20,521	-
Section 8 Housing Choice Vouchers	SF 547 V	14.871	4,003,005	-
Community Development Block Grant - Program Year 2004	B-04-MC-04-0507	14.218	6,130	6,130
Community Development Block Grant - Program Year 2005	B-05-MC-04-0507	14.218	581,053	95,611
Community Development Block Grant - Program Year 2006	B-06-MC-04-0507	14.218	1,003,670	520,956
Passed through Maricopa County Department of Housing and Community Development:				
HOME - Program Year 2003	M03-DC-04-0227	14.239	130,296	-
HOME - Program Year 2004	M04-DC-04-0227	14.239	371,986	-
HOME - Program Year 2005	M05-DC-04-0227	14.239	199,338	-
HOME - Program Year 2006	M06-DC-04-0227	14.239	118,083	-
HOME Program Income			151,605	-
Total Department of Housing and Urban Development			7,638,730	622,697
U.S. Department of Education				
Passed Through State of Arizona:				
Adult Education Grant	07FAEABE-770656-03A	84.002	88,450	-
Adult Education Grant	07FAECIV-770656-02A	84.002	46,490	-
Total Department of Education			134,940	-
National Foundation on the Arts and the Humanities				
Passed Through State of Arizona:				
State Library Program	241-6-01-(01)	45.310	209	-
State Library Program	251-6-01-(02)	45.310	4,428	-
State Library Program	261-6-1-(01)	45.310	26,192	-
Total National Foundation on the Arts and the Humanities			30,828	-
U.S. Department of Justice				
Direct programs:				
Paul Coverdell Forensic Sciences Improvement Grant	2005-DN-BX-0112	16.742	11,376	-
Edward Byrne Memorial Justice Assistance Grant	2005-DJ-BX-0854	16.738	23,936	-
Edward Byrne Memorial Justice Assistance Grant	2006-DJ-BX-0192	16.738	36,962	-
Bulletproof Vest Partnership Program	N/A	16.607	3,437	-
Passed Through City of Phoenix:				
Missing Children's Assistance	2005-MC-CX-K009	16.543	14,856	-
Total Department of Justice			90,568	-

CITY OF CHANDLER, ARIZONA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2007
(Concluded)

Federal Grantor/ Pass-Through Grantor/ Program Title	Contract Number	Federal CFDA Number	Expenditures	Payments To Subrecipients
Executive Office of the President				
Direct Program:				
High Intensity Drug Trafficking Area (HIDTA) Drug Grant	120040	95.001	14,700	-
Total Department of Education			<u>14,700</u>	<u>-</u>
U.S. Department of Transportation				
Direct Programs:				
Airport Improvement Program	N/A	20.106	10,956	-
Passed Through State of Arizona:				
State and Community Highway Safety	2005-163-016	20.600	26,526	-
State and Community Highway Safety	2006-PT-014	20.600	2,843	-
State and Community Highway Safety	2006-PT-013	20.600	8,711	-
State and Community Highway Safety	2006-OP-006	20.600	7,060	-
Alcohol Traffic Safety and Drunk Driving Prevention Incentive	2007-K8HV-002	20.601	41,001	-
Safety Incentive Grants for Use of Seatbelts	2005-163-029	20.604	4,563	-
Safety Incentive Grants for Use of Seatbelts	2007-OP-009	20.604	4,400	-
Motor Carrier Safety Assistance Program	2005-207	20.218	38,160	-
Highway Planning and Construction	JPA 03-080	20.205	238,954	-
Highway Planning and Construction	JPA 03-081	20.205	45,928	-
Highway Planning and Construction	JPA 04-083	20.205	108,511	-
Highway Planning and Construction	JPA 06-088	20.205	8,650	-
Passed Through Maricopa Association of Governments:				
Highway Planning and Construction	N/A	20.205	142,245	-
Passed Through City of Phoenix:				
Federal Transit Formula Grant	AZ-90-X080 (121669)	20.507	41,793	-
Total Department of Transportation			<u>730,299</u>	<u>-</u>
U.S. Department of Homeland Security				
Passed Through State of Arizona:				
Urban Areas Security Initiative	2004-TU-T4-0017	97.008	1,510,921	-
Urban Areas Security Initiative	2005-GE-T5-0030	97.008	241,548	-
Urban Areas Security Initiative	2006-GE-T6-0007	97.008	59,289	-
State Domestic Preparedness Equipment Support Program	2004-GE-T4-0051	97.004	35,078	-
State Domestic Preparedness Equipment Support Program	2004-GE-T4-0051	97.004	66,595	-
Homeland Security Grant Program	2005-GE-T5-0030	97.067	19,913	-
Homeland Security Grant Program	2005-GE-T5-0030	97.067	94,605	-
Homeland Security Grant Program	2006-GE-T6-0007	97.067	1,575	-
Total Department of Homeland Security			<u>2,029,524</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 10,669,589</u>	<u>\$ 622,697</u>

**CITY OF CHANDLER, ARIZONA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2007**

NOTE 1 - BASIS OF PRESENTATION

The Schedule of Expenditures of Federal Awards includes the federal grant activity of City of Chandler, Arizona and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

NOTE 2 - CATALOG OF FEDERAL DOMESTIC ASSISTANCE (CFDA) NUMBERS

The program titles and CFDA numbers were obtained from the federal or pass-through grantor or the 2007 *Catalog of Federal Domestic Assistance*.

**CITY OF CHANDLER, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2007**

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:

Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? yes X no
- Significant deficiency(ies) identified that are not considered to be a material weakness(es)? yes X none reported

Noncompliance material to financial statements noted?

 yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes X no
- Significant deficiency(ies) identified that are not considered to be a material weakness(es)? yes X none reported

Type of auditors' report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?

 X yes no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
14.239	HOME – Program Years 2003 – 2006
14.871	Section 8 Housing Choice Vouchers

Dollar threshold used to distinguish between Type A and Type B programs:

\$320,087

Auditee qualified as low-risk auditee?

 X yes no

**CITY OF CHANDLER, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2007**

SECTION II - FINANCIAL STATEMENT FINDINGS

We noted no significant deficiencies, material weaknesses or instances of noncompliance related to the basic financial statements that are required to be reported in accordance with *Government Auditing Standards*.

**CITY OF CHANDLER, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2007**

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Finding Number: 07-1
Program Name: Section 8 Housing Choice Vouchers
Pass-Through Agency: N/A

Questioned Cost: None identified
CFDA Number: 14.871
Grantor Number: SF 547-V

CONDITION/CONTEXT

During our review of the Section 8 Housing Choice Vouchers grant we noted the following:

1. For four of 42 Section 8 tenant files reviewed, the 50058 form did not have the tenant's correct family income (income was overstated in all cases).
2. For one of 42 Section 8 tenant files reviewed, the City did not retain any 3rd party verification of the family income listed on the 50058 form.

CRITERIA

HUD grant requirements as specified in the A-133 *Compliance Supplement* require the correct completion of the 50058 forms and third party verification of the family income listed on the form.

EFFECT

The City is not in compliance with all HUD eligibility requirements for the Housing Choice Voucher Program resulting in tenants being underpaid \$1,111 due to incorrect family income.

CAUSE

The City had changes in employee's responsible for filling out the forms verifying income which resulted in errors.

RECOMMENDATION

The City should ensure that 50058 forms are filled out correctly and that family income is properly verified with a third party.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS

The City will review processes for filling out forms and verification to ensure forms are correct.

Contact Person: Robin Robbins
Anticipated Completion Date: June 30, 2008

**CITY OF CHANDLER, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2007**

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Cont'd)

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Finding Number: 07-2	Questioned Costs: None identified
Program Name: HOME – Program Year 2003	CFDA Number: 14.239
HOME – Program Year 2004	
HOME – Program Year 2005	
HOME – Program Year 2006	
Pass-Through Agency: Maricopa County Department of Housing and Community Development	Grantor Number: M03-DC-04-0227 M04-DC-04-0227 M05-DC-04-0227 M06-DC-04-0227

CONDITION/CONTEXT

Employees paid from the HOME grants did not document the distribution of time worked in Federal programs as required by Federal guidelines. Audit procedures did not identify employees improperly paid from Federal funds.

CRITERIA

According to the Office of Management and Budget (OMB) Circular A-87, an employee paid from a single Federal program must submit a semi-annual certification that indicates that the employee worked solely for that Federal Program. An employee paid from more than one Federal program must submit monthly activity reports, documenting time worked in each Federal program.

EFFECT

The City is not in compliance with the time and effort requirements of OMB Circular A-87.

CAUSE

The City was not fully aware of the time and effort documentation requirements related to the HOME grants.

RECOMMENDATION

The City should review the time and effort requirements specified in OMB A-87 and implement corrective procedures as necessary.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS

The City will implement procedures to make certain employees paid out of the HOME grants prepare the appropriate documentation to support the distribution of time worked in Federal programs.

Contact Person:	Robin Robbins
Anticipated Completion Date:	June 30, 2008

**CITY OF CHANDLER, ARIZONA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2007**

Status of Federal Award Findings and Questioned Costs

The City had no findings or questioned costs related to federal awards noted in prior audits that require a status.